

**Cheltenham Borough Council**

**Cabinet – 22<sup>nd</sup> June 2010**

**Council – 28<sup>th</sup> June 2010**

**Financial outturn 2009/10 and budget monitoring to May 2010**

**Joint report of the Chief Finance Officer and Cabinet Member for Community Development and Finance**

- 1. Executive Summary and recommendation**
- 1.1 In accordance with the financial rule 21.2, the council must receive a report on the Council’s financial performance for the previous year which sets out the General Fund and Housing Revenue Account (HRA) Revenue and Capital outturn position for 2009/10. The information contained within this report has been used to prepare the Council’s Statement of Accounts for 2009/10.**
- 1.2 The council’s Treasury Management Policy requires the council’s Chief Finance Officer (Section 151 Officer) to report to members annually, by the 30<sup>th</sup> September, on the treasury management activities of the Council and prudential indicators for the previous financial year. This report also seeks to meet this requirement.**
- 1.3 We therefore recommend that cabinet approve the following recommendations to council:**
  - 1.3.1 Receive the financial outturn performance position for the General Fund, summarised at Appendix 1, which highlights a budget underspend of £9,144 for 2009/10.**
  - 1.3.2 Recommend the transfer of the budget saving of £9,144 to the General Fund Balance.**
  - 1.3.3 Note the £57,300 to fund carry forward requests requiring member approval at Appendix 6 and request that officers find alternative means of funding these requests from within existing budgets in 2010/11.**
  - 1.3.4 Note the treasury management outturn report at Appendix 8 and approve the recommendation for amendments to the Annual Investment Strategy – counter party lending list at paragraph 7.23-17.25 and Appendix 8a.**
  - 1.3.5 Note the capital programme outturn position as detailed in Appendix 11 and approve the carry forward of unspent budgets into 2010/11 (section 10).**
  - 1.3.6 Note the position in respect of section 106 agreements at Appendix 12 (section 11).**

- 1.3.7 **Note the outturn position in respect of collection rates for council tax and non domestic rates for 2009/10 in Appendix 13 (section 12).**
- 1.3.8 **Receive the financial outturn performance position for the Housing Revenue Account for 2009/10 in Appendices 15 to 17 (section 13).**
- 1.3.9 **Note the outturn prudential indicators Appendix 18 and recommend that Council approve the revised prudential indicators for 2009/10, marked with an asterisk (section 14).**
- 1.3.10 **Note the budget monitoring position to the end of May 2010 (section 15).**

#### **1.4 Summary of implications**

1.4.1 Financial As detailed in the report

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1.4.2 Legal

A number of the budget carry forward requests will fund expenditure for which the council already has a legal commitment.

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1.4.3 Human Resources & Organisation Development

A number of carry forward requests will address HR and health and safety related issues across the council generally.

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1.4.4 Equal opportunities, social justice and anti-poverty

None arising from this report

1.4.5 Environmental

Some of the carry forward requests will ensure that environmental schemes will be completed in 2010/11.

#### **1.5 Implications on corporate and community plan priorities**

1.5.1 The recommendations include proposals to increase the allocation of resources to achieve corporate priorities.

#### **1.6 Statement on Risk**

1.6.1 A risk assessment of the outturn position has been undertaken and is attached at Appendix 14.

## **2. Introduction**

- 2.1** This report draws together the financial outturn position for 2009/10 for the General Fund and Housing Revenue Account (HRA) revenue and capital budgets, details reserve movements, summarises requests for carry forward of budgets approved by the Chief Finance Officer (CFO) under delegated powers and those requiring member approval and makes recommendations in respect of the use of the underspend.

## **3. Background**

- 3.1** In accordance with the financial rule 21.2, the council must receive a report on the council's financial performance for the previous year.
- 3.2** A summary of the actual General Fund outturn position by service, including the business change and planned maintenance programmes, is contained in Appendix 1.
- 3.3** A summary of the outturn position by cost centre within each service is contained in Appendix 2. Information is presented both in the format normally used in cabinet and council papers and also in Best Value Accounting Code of Practice (BVACOP) format used in the preparation of the final accounts which requires under / overspends on support services cost centres to be charged to end user cost centres.
- 3.4** Details of the transactions in respect of capital charges are contained in Appendix 3.

## **4. General Fund Revenue Outturn 2009/10**

- 4.1** At a meeting of cabinet on 27<sup>th</sup> April 2010, members noted the provisional revenue outturn position for 2009/10 which highlighted a number of areas of potential budget savings. Projections at the time suggested that, after allowing for expected carry forwards, services were likely to be delivered within budget, resulting in a potential net budget saving of £224,800 against the revised budget for 2009/10.
- 4.2** It is pleasing to report that despite an exceptionally difficult and turbulent financial year in which income levels for council services and investments have plummeted, the council has delivered services within the resources available resulting in a budget saving of £9,144.
- 4.3** The variance between the position reported in the February 2010 monitoring report and the outturn position is almost wholly attributable to the treatment of impairment losses from the council's Icelandic investments. The main factor behind this change is in respect of the delayed timing in receiving these payments from 2012 to potentially 2018. The accounting treatment for these losses is explained in detail within section 7 of the report.
- 4.4** A full explanation of all variances that exceed £10,000 is contained within Appendix 5.

## **5. Budget carry forward requests**

- 5.1** At the year end, a number of budget holders requested 'carry forward' of unspent budgets. Requests fall into two categories and have been dealt with as follows:
- 5.2** Some requests are in respect of goods and services ordered but not received by 31<sup>st</sup> March 2010 or relate to items of expenditure not yet incurred but still planned to be spent in line with the original intention of the budget resulting mainly from slippage in work programmes. In line with previous practice, these have been reviewed by the Senior Leadership Team (SLT) and approved by the Chief Finance Officer, under

delegated powers (financial rule 8.10). A list of the approved carry forward of budgets, for which expenditure is in line with the original approved purpose, totalling £253,500 is contained in Appendix 6. In accordance with the Best Value Accounting Code of Practice (BVACOP), following a decision by council, a transfer was made to a 'carry forward' reserve in 2009/10 (Appendix 7) and transfers will be made from the 'carry forward' reserve in 2010/11 to the appropriate cost centres in order that members and officers have a clear indication of the total budget, including carry forwards, available for 2010/11.

- 5.3** Some requests have been made to carry forward an underspend to be used in a different way to that for which the budget was originally intended. Since this falls outside the budget set by council in February 2009, their alternative use requires Council approval. In addition, there are a number of budgets which were brought forward from 2008/09 into 2009/10 for which a carry forward has been requested into 2010/11. In line with a previous decision, these are subject to member approval. The list contained in Appendix 6, totalling £57,300, has been reviewed and supported by the Senior Leadership Team and now requires council approval. Given that approval of these 'individual' underspends would place the council in an overall overspend position, cabinet have requested that officers look for alternative means of funding these requests within the 2010/11 base budget.
- 5.4** Most service areas have delivered their service within budget, hence the requests for carrying forward an underspend to be used in a different way to that originally intended. However, as a result of a significant reduction in income from off-street car parking, the cabinet is unable to approve these requests under the traditional method.

## **6. Section 151 Officer advice**

- 6.1** The clear message from the Government is that councils will be expected to make a significant contribution to reducing the level of public debt and will be subject to a significant public sector funding squeeze over the next few years. Future budgets are likely to contain some difficult decisions and may require some sources of one off finance to enable savings to be delivered through cost / staffing reductions. As such, any opportunity to bolster the General Reserve to finance one off costs should be taken.
- 6.2** In agreeing the recommendations, members need to be mindful of the looming scenario and be clear that any carry forwards recommended for approval, even those for which I have the delegation to approve, are the most effective use of scarce resources.
- 6.3** Other pressures facing the council which point to the need to sustain the level of reserves include the financial implications of any successful equal pay claims and the impact of the next pension fund triennial revaluation which will take place in 2010.
- 6.4** An assessment of the council's reserves has been made in line with the fiduciary duty of the Chief Finance Officer at the year end which is referred to in section 9.

## **7. Treasury Management**

- 7.1** Treasury Management in Local Government is governed by the CIPFA Code of Practice on Treasury Management in the Public Services and this Council has adopted the Code and complies with its requirements, one of which is the receipt by cabinet and council of an Annual Review Report after the financial year end.
- 7.2** A summary of the financial implications of the transactions in respect of interest and

investment income are contained in Appendix 4.

- 7.3** The detailed treasury report, including the current assessment of the implications of the councils exposure to Icelandic banks, as approved by the Treasury Management Panel at its meeting on 14<sup>th</sup> June 2010, is attached at Appendix 8. The key points are highlighted below:

### **Icelandic Banks**

- 7.4** The council had £11 million invested in the collapsed Icelandic banks. In the outturn report to cabinet and council in June 2009 it was reported that the potential loss to the council in irrecoverable loans and interest due was, based on the latest information at the time, around £1.75 million. In addition interest would not be received on the recoverable amount for the period in which it remained unpaid. This resulted in likely lost interest of around £1.1 million, resulting in the 'impairment' loss shown in the Statement of Accounts at that time for 2008/09 of £2.9 million.
- 7.5** As the interest of £1.1 million had not been budgeted for in 2008/09, 2009/10 and future years, and the loss was therefore already accounted for, the potential unbudgeted impact on reserves and balances at the time remained around £1.75 million.
- 7.6** In September 2009 further guidance issued by CIPFA, based on updated information released by the receivers and administrators of the banks, indicated a possible reduction in the percentage of the Landsbanki loans likely to be recoverable (from 95p to 89p in the £), increasing the potential loss by around £0.3 million. The recovery rate from loans made to Kaupthing, Singer & Friedlander Ltd (KS&F) was however increased from 50p to 60-75p in the £, reducing the potential loss by a corresponding £0.3 million.
- 7.7** In December 2009 the winding up board at Glitnir bank announced that local authority claims in the bank will be treated as general unsecured, rather than priority, claims. This reduced the percentage likely to be recoverable from 100% to an estimated 31%, increasing the impairment charged to the Income & Expenditure account by £2.1 million. This brought the overall impairment loss to around £5 million (the original £2.9 plus the additional £2.1 million for Glitnir), which was included in the restated accounts for 2008/09. As permitted by government regulations, the impact of this 'loss' (less interest of £0.750 million not budgeted), a figure of around £4.250 million, was deferred to 2009/10. Under the regulations, the impact of the loss on the general fund can be only deferred until 2010/11 at the latest.
- 7.8** In compiling the outturn, the council is required by accounting regulations to reassess the impairment charge to the revenue account at 31<sup>st</sup> March, based on the latest information and guidance available to it. Recent further information provided by the administrators of K&SF has now indicated a recovery rate of 65p to 78p in the £ (up from 60-75p), of which 20p in the £ was received in July 2009, and 10p in the £ in December 2009. A third distribution of 5p in the £ was received on 1 April 2010. Assuming a recovery rate of 71% (the mid-point), the increase reduces the impairment charge by around £0.3 million.
- 7.9** Recent further information regarding Landsbanki Islands Hf has indicated a recovery rate of 95p in the £ (up from 89p), however the estimated dates for repayment have been extended significantly. Previously repayments were estimated to be received in instalments between December 2010 and December 2012. Current estimates show repayments being received in instalments between 2011 and 2018, with nearly 20% not expected to be received until October 2018. Because this means further lost

interest, this increases the impairment charge by around £0.35 million.

- 7.10** Similarly the estimated dates for the repayment of the Glitnir loan have been extended from 2010 to between 2011 and October 2015. This, together with a revised recovery rate of 29% (down from 31%), increases the impairment loss by around £0.3 million, resulting in a net increased charge for 2009/10 of around £0.35 million for all three banks.
- 7.11** The overall impairment charge made to the revenue account in 2009/10 is therefore £5.35 million (£5 million from 2008/09 and £0.35 million additional in 2009/10). However this includes lost interest for 2008/09 and 2009/10, which is already accounted for since it has not been budgeted, resulting in a net charge of **£4.275 million**.
- 7.12** In the Budget Monitoring Report to cabinet on 27<sup>th</sup> April 2010 it was anticipated the net impairment charge would be around £3.9 million in 2009/10. However, since that report was prepared, further information and guidance has been received on the likely amounts to be recovered and the timing of the repayments. As detailed above, based on the time required to realise the banks' investments and allowing for court cases to be heard, the repayment of sums due from Glitnir and Landsbanki is likely to be delayed by several years. Because this means further lost interest, the impairment charge has increased.
- 7.13** In January 2010 the council was successful in its application to the government for a capitalisation direction of **£4.430 million** for 2009/10. This has allowed the council to treat the impairment, which must be charged to the general fund balance by 31<sup>st</sup> March 2011, as capital expenditure in the year. The capitalisation therefore fully covers the cost of the impairment in 2009/10.
- 7.14** It is important to stress, however, that the receivership and administration process in relation to the banks is still ongoing and that there are still a number of uncertainties as regards the amount and timing of repayments and the penalty interest rates that will apply. This means the potential loss is likely to change (up or down) as the position becomes clearer.
- 7.15** It has been assumed, for example, that in the case of Glitnir, local authority deposits do not have priority status and in the case of Landsbanki that they do, in accordance with the statements made by the respective winding up boards. Ultimately these decisions, which are being challenged, will be made by the Icelandic courts.
- 7.16** If it is decided that the Glitnir deposits *do* in fact have priority status then the overall impairment loss (which has now been capitalised) would currently reduce by an estimated £2.4 million. Conversely if it is decided that the Landsbanki deposits *do not* have priority status then the impairment charge would currently increase by around £2.3 million. It is considered that a settled position on the matter will not be known before mid 2011. If there is an additional loss as a result of the Landsbanki deposits losing their priority status, then a further capitalisation direction will be sought from the government at the appropriate time.
- 7.17** The council is in the process of entering into joint actions with the other councils to challenge the decisions of the banks winding up boards. This course of action is necessary in order to ensure that the council increases the potential to recover the maximum amount possible.

## **Other Treasury Management Activity**

- 7.18** There is shortfall in interest of £25,450 to report on Treasury Management for 2009/10. However the General Fund is £132,695 adverse against the 2009/10 revised budget while the Housing Revenue Account (HRA) is £107,245 favourable against the revised budget.
- 7.19** The primary reason for the shortfall in the General Fund is that the calculation for the HRA Item 8 debit at revised budget estimated the consolidated rate of interest to be 3.32% on all borrowing, whereas the actual rate for the year was 2.81%. This has resulted in the HRA paying £95,867 less interest to the General Fund for 2009/10.
- 7.20** HRA revenue balances are higher than estimated at revised budget time due to higher rental income being achieved and also lower revenue balances required for capital financing. This has resulted in the HRA receiving £11,378 more in interest from the General Fund.
- 7.21** Lending interest is also down by £21,438 as a £2m callable deposit achieving 6.01% was recalled by the bank. The monies were deposited with another bank at the much lower rate of 1.82%
- 7.22** At the year end, the overall treasury management position (external borrowing less external investments) was such that the council was a net borrower to the sum of £28.4m, compared with £23.9m at the end of the 2008/09 financial year. The overall interest receivable and payable for the General Fund in 2009/10 was a shortfall against budget of £132,695. However, when taking into account the accounting transactions required in respect of Icelandic investments, the overall treasury management position for 2009/10 is favourable to the council's General Fund by £21,801 when compared to the 2009/10 revised budget.

## **Amendments to the Annual Investment Strategy - Counter party lending list**

- 7.23** The council has recently approved lending to Gloucestershire Airport, Cheltenham Borough Homes and the Everyman Theatre to fund various redevelopment projects. This is to be facilitated by funding from the Public Works Loans Board (PWLB), the costs of which will be reimbursed by these third parties hence there will be no cost to the council taxpayer.
- 7.24** The precise mechanism for the loan arrangements was delegated to the Chief Finance Officer. In considering the most efficient method in which these can be facilitated, the Chief Finance Officer has determined that, in order to ensure that multiple requests are not made to the PWLB for relatively small sums to finance project costs, it would be preferable for the council to facilitate temporary lending at an interest rate of 1% above Bank of England base rate until the approved lending limits have been reached, at which point the council will replenish the temporary lending with single drawdown from the PWLB for each of the third parties.
- 7.25** Although the council has approved this lending, currently the counterparty lending list does not allow for the temporary lending to these organisations. As such, it is recommended that the Annual Investment Strategy – counter party lending list is revised to reflect lending to these organisations (Appendix 8a). In addition, on occasions, Cheltenham Festivals require temporary lending to offset short term cashflow shortfalls which have historically been facilitated by the council. In reviewing the lending criteria, it is clear that this has not been provided for in the lending policy, hence the opportunity is being used to rectify this.

## **8. Efficiency savings**

- 8.1** The Government is keen to see councils deliver significant efficiency gains and set a target of 3% per annum, a total savings target of £4.9bn for the period of the Comprehensive Spending Review CSR07 (April 2008 to March 2011). The target was increased in the Chancellor's May 2009 budget to £5.5bn resulting in an increase in the annual target for 2010/11 from 3% to 4%.
- 8.2** The measurement of efficiency gains is made through a calculation of official performance indicator NI 179 Value for money, the definition of which is 'the total net value of on-going cash releasing value for money gains that have impacted since start of the 2009/10 financial year'. This is reported twice yearly in July and October to the Department for Communities and Local Government (DCLG).
- 8.3** Cuts in services cannot count towards the target. The guidelines issued by the DCLG provide an approach to measurement of cash releasing value for money gains. The process aims to measure increases in productivity and enhanced value for money using the following criteria:
- reducing inputs for the same or improved outputs
  - reduced unit costs to meet increased demand
  - optimise use of assets to improve outputs from them;
- 8.4** The approach taken to identifying efficiency gains to-date has been, due to time constraints, pragmatic. The decision was made not to spend a significant amount of time measuring the less obvious and tangible gains, since the targets were comfortably met from a combination of those savings made as part of the budget setting process (not all of which count), plus the efficiencies made through the partnership arrangements for delivering the Decent Homes programme. A position statement indicating the initial assessment of NI 179 Value for money for 2009/10 is summarised in Appendix 9. The Council is required to submit a return which measures the outturn efficiency gains for 2009/10 against this indicator by July 2010.
- 8.5** The efficiency target for 2009/10 is estimated at £932,000, based on 2007/08 baseline revenue and capital expenditure position of £30m. The Council, in setting the budget for 2009/10, identified savings and additional income streams totalling £1,084,100 of which total cashable efficiency savings of £885,000 have been initially assessed as complying with the NI 179 Value for Money criteria. In addition, the Council delivered procurement savings of £14,400 which were originally assumed in the 2009/10 budget. Further, shared service savings of £68,500 accrued in 2009/10 which have been fully budgeted in the 2010/11 budget round. Hence, the initial assessment of NI179 for 2009/10 is £967,900 against the target of £932,000. However, in order for savings to qualify against NI179 a further stage is required whereby a performance assessment has to be undertaken which involves a comparison between the cost of service delivery in 2007/08 and the cost of delivering the service in 2009/10. The difference will be the saving which will then be compared to the reduction in budget. The saving will only be treated as allowable if it can be demonstrated that there has not been any deterioration in the overall effectiveness of the service. This assessment will take place in July 2010. This validation process will take place prior to submission of the final amount to DCLG.



## **9. Reserves**

- 9.1** The Chief Finance Officer has, under delegated powers (financial rule 11.2), authority to make transfers to and from these operational reserves in accordance with the intention of the reserve as determined by the council's reserves policy and protocol. The transfers approved by the Chief Finance Officer for 2009/10 are included within the Use of Reserves and Balances schedule at Appendix 7.
- 9.2** Appendix 10 details the reserves held by the council, states their purpose and indicates the balance at 31<sup>st</sup> March 2010. In setting the budget for 2010/11 a review of reserves was undertaken with a view to assessing whether the levels were appropriate, in line with the policy for reserves and balances, taking into account the needs and risks of the organisation and the prevailing economic conditions.
- 9.3** A further assessment of the Council's earmarked reserves has been made in line with the fiduciary duty of the Chief Finance Officer at the year end. Although the financial implications in respect of any equal pay claims are still subject to final resolution no further funds are currently being suggested at this stage. Accepting that there are still some areas of uncertainty, the level of reserves appears adequate at this point in time and no changes are currently recommended.
- 9.4** The level of maximum individual reserve balances were reviewed in February 2010, as part of the budget setting process. At 31<sup>st</sup> March 2010, most reserves are within these specific maximum levels and no changes are recommended at this stage.
- 9.5** It is important to understand and consider that there is an opportunity cost in maintaining reserves. Members will be aware that the reserves exist for specific 'earmarked' and valid purposes which are regularly reviewed. Over time, it is anticipated that these reserves will be used for the purpose for which they were set aside. Hence the opportunity cost of holding these reserves at existing or slightly above existing levels is either justified or insignificant.
- 9.6** At the year end, the General Fund Balance stands at £2.446m and therefore remains above the minimum range of £1.5m to £2m recommended by the Chief Finance Officer.

## **10. Capital Outturn 2009/10**

- 10.1** The outturn position in respect of General Fund capital is contained in Appendix 11. Members are asked to note the outturn position and, where there is slippage, approve the carry forwards into 2010/11 requested by officers. Generally, whilst there has been some slippage in the capital programme, the profiling and monitoring of capital spend has significantly improved.
- 10.2** The one major variance between the revised budget and outturn position is in respect of the new dry stone walling project on Leckhampton Hill. This project commenced after the budget was formally agreed by council and is being financed from external contributions.

## 11. Section 106 Receipts / Partnership funding

11.1 A position statement in respect of the activity of Section 106 receipts and partnership funding is contained in Appendix 12.

11.2 The following summarises the activity in respect of Section 106 for 2009/10, compared to 2008/09.

	31/3/09 £	31/3/10 £
Balance of unused Section 106 receipts	884,930	632,402
Net additional receipts (refunds/ transfers) in year	3,735	(83,631)
Receipts used to finance projects in year	(256,263)	(269,189)
Balance outstanding at year end	632,402	279,582

## 12. Council Tax and Non-Domestic Rates collection rates 2009/10

12.1 The outturn position in respect of collection rates for Council tax and non-domestic rates is contained in Appendix 13. Members will note that the Council continues to improve on its high level of performance.

## 13. Housing Revenue Account Outturn 2009/10

### Revenue Outturn

13.1 The revised estimates for the Housing Revenue Account anticipated a surplus of £734,400 which would increase revenue reserves to £1,045,200. The outturn statement, at Appendix 15, shows a surplus for the year of £1,270,004, an overall positive variance of £535,604, which has increased the revenue reserve to £1,580,582.

13.2 This variance arose primarily from:-

- lower than anticipated revenue funding of capital expenditure (£483,209), see paragraph 13.4 below
- reduced interest payable (£95,867) as a result of lower rates
- reduction in HRA subsidy payment (£66,389) arising from lower interest rates

Partially offset by the following additional costs and reduced income:-

- additional contributions to the Housing Repairs Account (£30,795), see paragraph 13.3 below
- increased estate management costs (£46,067) arising primarily from higher gas and electricity charges
- lower income from commercial lettings of HRA properties (£45,763) which arises from a one-off change to the accounting treatment of this income

## **Housing Repairs Account**

- 13.3** The Council keeps a separate Housing Repairs Account (shown at Appendix 16) that assists in smoothing out peaks and troughs in the need for responsive repairs. Expenditure on this account exceeded the budget of £3,590,000 by £30,795 which is not considered significant given the demand led nature of the expenditure.

## **Housing Revenue Account Capital Programme**

- 13.4** As shown at Appendix 17, actual expenditure for the year totalled £4.313m, a reduction of £517,000 when compared to the revised estimate of £4.830m. The significant variations were:-
- reduced expenditure on major void works (£105,000), reflecting the impact of the decent homes programme
  - lower than anticipated requirement for grant funded cavity wall insulation (£94,000)
  - reduced demand for disabled adaptations to council dwellings (£84,000)
  - change in accounting treatment of HRA contribution to choice based lettings software (£43,000)

## **14. Prudential Indicators**

- 14.1** At the meeting of the council in February 2009, the council set the prudential indicators for 2009/10 to comply with the prudential code. A summary of the prudential indicators for the year are contained in Appendix 18.
- 14.2** The prudential indicators have been monitored regularly and there were no material departures from the indicators arising during the year. The outturn indicators are reported to cabinet and council as part of the capital and treasury management outturn in accordance with the arrangements determined at the February 2009 council meeting.
- 14.3** The outturn position for 2009/10 has, in some cases, had an impact on prudential indicators for 2010/11 where there is slippage and carry forward of spend. As a result some revisions to the prudential indicators for 2010/11, approved by council in February 2010, have been made. These are marked with an asterisk in Appendix 18 and require member approval.

## **15. 2009/10 Revenue and Capital Budget monitoring to May 2010**

- 15.1** Although, due to the pressures of the year end process, a detailed monitoring exercise has not been undertaken at this point in the year, the following areas are worth noting at this stage in the financial year.
- 15.2** The council's budget for 2010/11 assumed a pay award increase of 1%. However, given the need to protect vital services and reduce the risk of job losses in local government, the employers' side feel unable to make a formal offer in 2010/11 on the grounds of affordability. This 'pay freeze' will result in an estimated budget saving of £150,000 in 2010/11 which will be used to offset the adverse variances detailed in the following paragraphs.
- 15.3** The decision by Tewkesbury Borough Council to withdraw from the GO-7 programme

and, as a result the lack of alignment between our 2 authorities on the underpinning technology for a shared service, the OneHR project (shared HR services) is in its closedown phase. These 2 events have impacted upon the savings in the MTFs.

- 15.4** Most of the anticipated savings were scheduled for subsequent years, although there is an expected shortfall of £57,200 in 2010/11. However, there is anticipated windfall income of £24,000 from the provision of interim HR support to TBC prior to formal project closure. A full report will be going to cabinet in July 2010 which will fully cover the financial impact.
- 15.5** There is an anticipated shortfall of £17,500 in the housing standards budget, in the Houses in Multiple Occupation register fees. The income budget for these fees has been approved at £43,500 but is anticipated that the annual income achievable is approximately £26,000 based on the current number of properties and fees set.
- 15.6** Concessionary Fares – the council is a member of the Gloucestershire County Council's countywide concessionary travel scheme for 2010/11. The cost allocations for the countywide scheme are controlled by the consultants (JMP) providing the administrative support for the County Council acting in its capacity as the administering authority. Three annual financial deals with the major operator, Stagecoach, have recently been negotiated. A total package of payments covering all of the districts for the financial years 2008/09 to 2010/11 has been concluded. Based upon the assumption that these additional costs for 2010/11 have been built into the base budget the Council may be left with a funding shortfall of circa £25,000 in 2010/11 to fund the increased journeys undertaken by concessionaires on bus services provided by other Operators. It is anticipated that there will be continued growth in activity notwithstanding the Governments recent announcement to phase an increase in the age of eligibility for bus passes.
- 15.7** Land Charges – the income figures for the first two months of the financial year show the level of income to be £15,000 behind the budgeted target. If this trend continued throughout the year the annual shortfall would be in the region of £50,000.
- 15.8** Planning Fees – the income figures for the first two months of the financial year show a shortfall against budget of £4,000. If this trend continued throughout the year the annual shortfall would be in the region of £20,000.
- 15.9** Building Control fees - the income figures for the first two months of the financial year show a shortfall against budget of £17,000. If this trend continued throughout the year the annual shortfall would be in the region of £70,000.
- 15.10** Off-Street Car Parking – income from off-street parking is composed of two elements – fines and fees. In considering fine income we need to include the actual income paid and also the potential income that could result from bailiff action to recover unpaid fines. The combined figures from both income sources suggest that fine income is anticipated to fall short of the profiled budget by £15,000 and fee income £75,000 behind the profiled budget as at the end of May 2010. The number of ticket sales is reduced by 5% compared with the same period last year, which is supported by the April 2010 town centre footfall figure showing a decrease of 3.7% on April 2009. If this trend were to continue throughout the year this could result in a combined income shortfall against budget of £525,000. The major maintenance works recently undertaken by the ex-utility companies combined with the proposed 12 month maintenance program recently announced by Severn Trent Water for the western side of the town centre due to commence in July 2010 may impact negatively on the current position. It is also proposed to resurface Regent Arcade car park in the current financial year for which compensation is payable. The Bridging the Gap

programme for 2010/11 has increased by £122,000 the income targets across a number of new initiatives for off-street parking. These schemes are currently being reviewed for sustainability by the Parking Manager and it is anticipated that an additional £50,000 could be raised in the current financial year leaving a shortfall of £72,000 against target. Due to the heavy seasonal profiling of off-street parking income it is difficult to predict the exact trend in the current financial year. Future budget monitoring reports will provide updated positions with a greater degree of accuracy.

- 15.11** Royal Well Bus Station - the Bridging the Gap programme has required additional income of £20,000 to be generated from this site. This target is currently being assessed by the Parking Manager in conjunction with North Place car park. It is anticipated that £10,000 additional income could be raised in the current financial year leaving a shortfall against target of £10,000.

## **16. Summary and conclusions**

- 16.1** The outturn position for 2009/10 demonstrates that, despite the turbulent and unpredictable impact of the economic climate, the council continues to maintain a strong and consistent track record of the management of services and spending within budgets. There are no significant 'unexpected' overspends or underspends which demonstrates that budget monitoring arrangements remain strong.
- 16.2** If approved, some of the carry forward requests will assist in the delivery of corporate objectives, help to complete projects started in 2009/10 and support initiatives which help to bridge the medium term funding gap.
- 16.3** Members should note that the outturn position will be used to prepare the Statement of Accounts for approval by council.

## **17. Consultation**

- 17.1** Appropriate members and officers were consulted in the process of preparing the outturn position and associated reports and accounts.

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<b>Background Papers</b>	Statement of Accounts Working papers  Accounts and Audit Regulations 2003 - statutory instruments and guidance circular.  Statement of Recommended Practice 2009
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<b>Accountability</b>	Councillor John Webster, Cabinet Member for Community Development and Finance
<b>Scrutiny Function</b>	Economy and Business Improvement